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**ARKANSAS PUBLIC SERVICE COMMISSION REACTS TO
FEDERAL ENERGY REGULATORY COMMISSION DECISION
ISSUED TODAY IN THE ENTERGY SYSTEM AGREEMENT CASE**

For Immediate Release: June 1, 2005

The Federal Energy Regulatory Commission ("FERC") today issued its decision on review in the Entergy System Agreement case in which the Louisiana Public Service Commission ("LPSC") had sought to shift hundreds of millions of dollars of electric production costs from the ratepayers of Entergy Louisiana, Inc. ("ELI") to the ratepayers of Entergy Arkansas, Inc. ("EAI"). On February 6, 2004, FERC Administrative Law Judge ("ALJ") Lawrence Brenner issued his preliminary decision in this case. The ALJ's decision held that electric production costs among the Entergy Operating Companies on the Entergy System were no longer in "rough production cost equalization" and recommended a remedy that would have cost EAI's Arkansas ratepayers hundreds of millions of dollars annually.

The Arkansas Public Service Commission (the "Commission"), along with many other parties to the System Agreement case, filed an appeal of the ALJ's preliminary decision and asked the FERC to overturn the ALJ's ruling on several key points. Commission Chairman Sandra Hochstetter said, "The decision issued by the FERC today adopts many of the arguments made by the Arkansas Commission and represents a substantial improvement over the ALJ's preliminary decision." Chairman Hochstetter also said, "The Commission is pleased that the FERC responded favorably to many of the Commission's arguments."

The FERC's decision reversed the ALJ's decision on the following major issues:

1. The ALJ recommended an over/under bandwidth of +/- 7.5% annually from the system average and 5% over a rolling three-year average as a remedy to "roughly equalize" system production costs. The FERC reversed the ALJ and imposed an over/under bandwidth remedy of +/- 11% effective for the cost year of 2006.
2. The ALJ recommended that the +/- 7.5% bandwidth be effective in 2003, which would have required an immediate and retroactive reallocation of costs among the Entergy Operating Companies. The FERC overruled that recommendation and instead ordered an over/under +/- 11% bandwidth remedy effective for the 2006 production cost year which means that it would be at least 2007 before Arkansas ratepayers would be exposed to any cost liability to Louisiana. Further, the FERC affirmed that Arkansas ratepayers will face no refund liability under its decision.

3. The ALJ included the costs of the expensive Vidalia Hydroelectric Generator located in Vidalia, Louisiana, in the calculation of ELI's overall production costs on the basis that the generator was built for the entire Entergy System. The FERC, agreeing with the Arkansas Commission, reversed the ALJ and held that the Vidalia plant was built for the exclusive use of Louisiana ratepayers. Accordingly, Arkansas ratepayers will not be required to help Louisiana pay for the expensive Vidalia generator.

Because there is no potential payment liability until 2007, it would be speculative and premature to attempt to quantify the impact, if any, on EAI's Arkansas ratepayers at this time. In addition, the FERC acknowledged the fact that there are several intervening system management remedies that could be deployed by the Entergy System that would render the implementation of the bandwidth unnecessary. "Though the Arkansas Commission will continue to pursue its appeal rights in this case, the Commission's litigation efforts have already substantially improved the position of EAI's Arkansas ratepayers," said Commission Chairman Hochstetter.

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